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Ontario Energy Board



Ontario

IN THE MATTER OF THE
ONTARIO ENERGY BOARD ACT

AND

IN THE MATTER OF AN APPLICATION BY

THE CONSUMERS' GAS COMPANY LTD.

**FOR LEAVE TO CONSTRUCT A NATURAL GAS PIPELINE
IN THE TOWN OF MILTON, THE CITY OF MISSISSAUGA,
AND THE CITY OF ETOBICOKE**

E.B.L.O. 238

DECISION WITH REASONS

June 1991

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avec la Commission de l'énergie de l'Ontario.

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Ontario Energy Board



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IN THE MATTER OF the Ontario Energy Board Act,
R.S.O. 1980, Chapter 332, as amended;

AND IN THE MATTER OF an Application by The
Consumers' Gas Company Ltd. to the Ontario Energy
Board under Sections 46 and 48 of said Act for an Order
granting leave to construct a natural gas transmission
pipeline, in the Town of Milton, the City of Mississauga
and the City of Etobicoke.

BEFORE: C.A. Wolf Jr.
Presiding Member


V.W. Bielski, Q.C.
Member

P.W. Chapple
Member

DECISION WITH REASONS

June 4, 1991

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1. INTRODUCTION

1.1 THE APPLICATION

- 1.1.1 By an application dated November 30, 1990, ("the Application"), The Consumers' Gas Company Ltd., ("Consumers Gas" or "the Company" or "the Applicant"), applied to the Ontario Energy Board, ("the Board" or "the OEB"), for leave to construct a high pressure transmission pipeline and ancillary facilities to deliver natural gas from the Company's Parkway Gate Station, ("Parkway"), in the City of Milton, to proposed pressure regulating stations to be located at the intersection of Martin Grove Road and Eglinton Avenue West in the City of Etobicoke, ("Martin Grove" or "the Martin Grove Station"), and at approximately 1810 Mattawa Avenue in the City of Mississauga, ("West Mall" or "the West Mall Station"), and onward to the Queensway East in the City of Etobicoke. The proposed general routing and the approximate locations of the proposed facilities are shown on the maps appended to this Decision with Reasons as Appendices "A" and "B".

1.2 THE HEARING

1.2.1 The hearing of the Application commenced at the Board's hearing room in Toronto on May 13, 1991, and concluded with the presentation of oral arguments on May 15, 1991.

1.2.2 A verbatim transcript of the proceeding and copies of all exhibits and submissions are available for public inspection at the Board's offices.

Appearances

1.2.3 The following parties and their representatives appeared at the hearing:

Consumers Gas	F.D. Cass
Board Staff	S. Goudge
City of Mississauga, ("Mississauga")	R. Sasaki
Municipality of Metropolitan Toronto, ("Metro")	G. Rampe
Ontario Hydro, ("Hydro")	M. Engelberg

Witnesses

1.2.4 The Applicant called the following employees as witnesses:

D.M.S. Kent	Chief Engineer
T.J. Ladanyi	Manager, Engineering Projects
G.L. Jewell	Manager, Distribution Planning
G.C. Highfield	Project Engineer

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F.A. Brennan	Manager, Gas Supply Planning
R. Huggard	Director, Industrial and Commercial Marketing
B.W. Boyle	Supervisor of Financial Studies
W.J. Tkach	Property Agent

1.2.5 Consumers Gas also called L.W. Torrens, General Manager, MacLaren Plansearch Inc.

1.2.6 Testimony on behalf of Mississauga was given by:

R. Sasaki	Manager, Transportation Planning, Transportation and Works Department, Mississauga
S. Schijns	Project Engineer, McCormick, Rankin Consultants

1.2.7 Metro called the following witnesses:

R. Brick	Acting Manager, Real Estate Division, Parks and Property Department, Metro
R.J. Spence	Chief Functional Design Engineer, Toronto Transit Commission ("TTC")

1.2.8 Hydro did not participate actively in the proceeding. Only Consumers Gas, Board Staff and Metro submitted arguments at the conclusion of the hearing.

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2. THE PROJECT

2.1 BACKGROUND

2.1.1 The Company claimed that the pipelines which supply the downtown core of the City of Toronto are at full capacity. Also, Metro has grown, and a 20 inch high pressure, (500 psi), pipeline, ("the lakeshore pipeline"), which was constructed through rural lands some forty years ago, is now located in highly populated areas. Consumers Gas maintained that, considering the age of this pipeline, coupled with the increased potential for third party damage, it was now prudent to reduce the pressure in this older pipeline and diversify supply into the downtown Toronto distribution grid. Thus, the Company claimed, safety and security of supply concerns could be alleviated.

2.1.2 Since the demand for natural gas in the Greater Toronto Area, ("GTA"), is largely seasonal, Consumers Gas makes extensive use of the gas storage reservoirs in southwestern Ontario and, in doing so, relies heavily on deliveries via Union Gas Limited's, ("Union"), Dawn-Trafalgar Transmission System to meet its winter peak day demand. The Company's evidence showed that it was constrained in its ability to accept gas deliveries from the Dawn-Trafalgar System at its terminus west of Toronto, at Parkway. To compensate for this, Consumers Gas entered into agreements with TransCanada PipeLines Limited, ("TCPL"), whereby the

Company turns over volumes of gas to TCPL at the Kirkwall Valve Site, ("Kirkwall"), on the Dawn-Trafalgar System, in the vicinity of the City of Hamilton. In return, TCPL delivers similar volumes of gas to Consumers Gas at the Company's Victoria Square and Markham Gate Stations, north of Toronto.

- 2.1.3 These Storage and Transportation Service exchanges, ("STS exchanges"), are forecast by Consumers Gas to amount to 5,655 $10^3\text{m}^3/\text{day}$ in the 1991/92 heating season. The Applicant claimed that the proposed facilities would eliminate the bottleneck at Parkway and would allow Consumers Gas to avoid some \$20.6 million, (Net Present Value, ("NPV")), in STS exchange costs over the life of the project. The NPV of the project, including lands, but excluding the costs of reinforcements, was calculated by Consumers Gas to be \$44,619,200.

2.2 GENERAL ROUTING

- 2.2.1 The proposed 500 psi pipeline, which the Company referred to as the Mississauga Southern Link, ("MSL"), consists of 23 kilometres NPS 36 pipeline which branches into two NPS 24 pipelines totalling 11 kilometres. The NPS 36 pipeline would start at Parkway, and would follow along lands reserved by the province for linear transmission facilities, ("the Parkway Belt West"). In doing so it would be largely within protected easements owned either by the Ministry of Government Services or by Hydro.
- 2.2.2 This 36 inch pipeline, as shown in Appendix "A", would initially run south-easterly within the Oakville-Mississauga Mini-Belt portion of the Parkway West Belt system in the Town of Milton. South of Eglinton Avenue the pipeline would turn to a north-easterly direction and continue within the Southern Link of the Parkway Belt West, through the City of Mississauga. In the vicinity of Dixie Road the pipeline would divide and reduce to the two 500 psi NPS 24 laterals.

- 2.2.3 One 24 inch lateral would continue in a generally north-easterly direction, leave the Parkway Belt West, continue along the Eglinton Avenue transportation corridor, and terminate at the proposed Martin Grove Distribution Station. At that point the pipeline pressure would be reduced to 175 psi, and gas would flow into the Company's distribution grid through a proposed NPS 30 pipeline, ("the NPS 30 extension"), which is to be constructed in 1992. This 30 inch main would link Martin Grove and a planned NPS 24 replacement for an existing cast iron main which runs from the Borough of York to the Company's Bayview Distribution Station off the Don Valley Transmission pipeline. Neither of these latter sections of pipeline were included in the Application.
- 2.2.4 The second NPS 24 lateral off the proposed NPS 36 transmission line would proceed south-easterly, largely within lands owned by Hydro, and terminate at the Queensway East in the City of Etobicoke. At the West Mall Station, just upstream of the Queensway East, the pressure would be reduced to 175 psi and gas would enter the GTA distribution grid via the existing 20 inch lakeshore pipeline. As part of the proposal, the 20 inch lakeshore pipeline would be derated from 500 psi to 175 psi.

DECISION WITH REASONS

3. **THE ISSUES**

3.0.1 The Board has reviewed and considered all the evidence in this proceeding. However, for the purposes of brevity, and in consideration of the urgent timetable for 1991 construction, the Board has limited its discussion and description of the issues in this hearing to only those issues which were controversial or determinative. These are:

- Safety and Security of Supply
- Environmental Impact
- Easement Disputes
- Timing
- Economic Feasibility
- Completeness of the Application

3.1 SAFETY AND SECURITY OF SUPPLY

- 3.1.1 The Company focused on the safety and security of supply enhancements that the proposed facilities would provide, and claimed that these constituted the major justification for the project.
- 3.1.2 Consumers Gas pointed out that the existing 20 inch lakeshore pipeline is a critical component in its distribution system serving the downtown Toronto core and south-eastern Mississauga. This section of pipeline is 35 to 40 years old, continues to operate at 500 psi, and is now located in highly populated areas.
- 3.1.3 Given the urban growth that has occurred in the vicinity of the lakeshore pipeline, the Company is concerned that the potential for third party damage has increased. Also, the metallurgy and coating technology employed in the production of steel pipe 35 to 40 years ago are inferior to those of today. The Company claimed that the potential for inclusions, laminations and coating discontinuities were of concern in that they, as well as damage caused by third parties, could lead to pipe ruptures. Given that the 20 inch pipeline is at 500 psi, the potential for such a rupture in a populated area gives rise to safety concerns and the danger that supply interruptions could affect thousands of customers.
- 3.1.4 The Company stated that "competent engineering judgement" had led it to the conclusion that: "it is prudent to reduce the pressure in the [20 inch] line in order to prolong its useful life and to build a new pipeline to allow reduced dependence on the old [20 inch] line", and "Consumers Gas considers that the risk posed by operating the [20 inch] line at its current pressure is no longer acceptable."
- 3.1.5 The Company contended that security of supply and safety concerns would be substantially lessened under its current proposal which would lower the pressure in the 20 inch lakeshore pipeline, and shift dependence to a newly

constructed high pressure pipeline located, for the most part, in protected easements, where there would be less risk of third party damage.

- 3.1.6 Board Staff argued that, while technology had admittedly improved over the past 35 to 40 years, Consumers Gas had led no evidence to support any claim that the continued operation of the 20 inch pipeline at 500 psi was unsafe from a metallurgical standpoint.
- 3.1.7 With regard to security of supply, Board Staff called attention to Consumers Gas' evidence which indicated that there is only one area where a break in the 20 inch lakeshore pipeline on a peak day could result in an interruption of service to customers, i.e. just east of the Company's Sheridan Gate Station, and that the pipeline is on an easement at that location. Board Staff further pointed out that, even with the proposed facilities in place, a break in the pipeline just to the east of Parkway would still cause a problem in backfeeding to supply all the Company's customers.
- 3.1.8 Board Staff also noted that the 20 inch pipeline was constructed to Class 4 standards, is operated largely in Class 3 locations, and meets all current code requirements. It was noted that there have been no breaks in that line over its long history, and that there has been only one reported incident where third party damage was encountered, during the winter, in the area east of the Sheridan Gate Station. Board Staff also noted that the Parkway Belt West corridor would be a potential "beehive of activity" and, hence, there would still be a danger of third party damage even on that "secure" easement.
- 3.1.9 Board Staff, thus, concluded that the Applicant had failed to substantiate that pipeline integrity problems or security of supply threats now require depressuring the 20 inch pipeline, or that the proposed project would assure a secure supply to all customers in the GTA.

3.2 ENVIRONMENTAL IMPACT

The Parkway Belt West Corridor

- 3.2.1 The Parkway Belt West is a multi-purpose utility corridor, urban separator and linked open space system created pursuant to the provisions of the Parkway Belt Planning and Development Act. The Oakville-Mississauga Mini-Belt and the Southern Link are two of seven links established by the Parkway Belt West Plan.
- 3.2.2 Given that there are few unoccupied access routes for linear transmission facilities into Toronto, Consumers Gas is anxious to establish its presence in the Parkway Belt West corridor. Several utility systems are already located in the Parkway Belt West corridor in the areas through which it is proposed that the MSL will be constructed.
- 3.2.3 In addition, Highway 403 is located within the Parkway Belt West for a considerable distance, and a portion of Highway 407 is proposed to be constructed within the corridor. There are numerous road crossings and one railroad crossing along the length of the proposed MSL in the Parkway Belt West.
- 3.2.4 Four major watercourses and numerous tributaries cross, or are located within, the Parkway Belt West in the area planned for the MSL.
- 3.2.5 The Oakville-Mississauga Mini-Belt is located almost exclusively in agricultural lands, while the Southern Link travels through industrial, commercial and residential lands, public parks and a number of recreation areas, including a golf course. Also, a city centre and a number of schools are located adjacent to the Southern Link whose green space is used as a recreational area by the students.

- 3.2.6 The City of Mississauga plans to install inter-urban bus lanes within the Parkway Belt West. Construction of the bus way is not expected to begin for at least two years. However, Mississauga is anxious to define a protected envelope for the bus way so that its planning and environmental assessments can proceed.
- 3.2.7 Beyond the Parkway Belt West, the Company's proposed NPS 24 laterals will be constructed in urban areas, will intersect Highway 427 and could potentially limit Metro's ability to expand Eglinton Avenue, or to extend its subway system. The south-eastern lateral of the MSL will cross a railroad line and will terminate in the vicinity of a major hospital.

The MacLaren Report

- 3.2.8 Consumers Gas filed a report entitled "Environmental Impact Assessment, Mississauga Southern Link Pipeline", ("the MacLaren Report"), prepared by MacLaren Plansearch Inc.
- 3.2.9 The MacLaren Report analyzed two potential pipeline routes which could achieve Consumers Gas' objective of enhancing the supply of gas to the core of the GTA. One route, ("the alternate route"), was discarded on the basis of cost, pipeline length, amount of rural construction and the number of highway crossings. The second, the preferred route, is the one described in the Application.
- 3.2.10 The MacLaren Report concluded that the preferred route was environmentally acceptable, and that the Company's standard construction specifications would avoid or mitigate against significant environmental damage. Specific recommendations were made with regard to issues such as stream crossings and archaeological/heritage site studies. These recommendations were adopted by the Applicant.

- 3.2.11 None of the parties took issue with the conclusions or recommendations of the MacLaren Report.

Conditions of Approval

- 3.2.12 Board Staff proposed a set of 14 conditions of approval relating to Consumers Gas' construction practices and reporting procedures. Included in these was a recommendation that leave to construct, if granted, should terminate on November 1, 1991 unless otherwise ordered by the Board. Consumers Gas objected to the November 1, 1991 termination date and accepted the remaining conditions.
- 3.2.13 During cross-examination, the Company's witnesses agreed to provide a minimum of 1.2 metres of cover over the proposed pipeline and that, if necessary, top soil could be left piled on the easement over the winter, rather than risk avoidable soil mixing on agricultural and beltway lands.
- 3.2.14 The Company's witnesses also testified that the "Consumers Gas Pipeline Construction Specifications" appended to the MacLaren Report were of a generic nature, and that specifications specific to the proposed project were yet to be defined.
- 3.2.15 Under cross-examination the Company's witnesses agreed that economics would not override safety concerns with regard to the fencing of open trenches during construction. Consumers Gas maintained that much of the MSL would be located in rural agricultural land, where open trenches would not need to be fenced. Mr. Highfield, as project engineer for the MSL project, committed himself to be on-site and to require fencing where he felt there were areas of concern.
- 3.2.16 Mississauga proposed that seven recommended conditions of approval should be included as part of any leave to construct order. These proposed

conditions of approval are shown in Appendix "C" of this Decision with Reasons.

3.2.17 Consumers Gas foresaw no great problem in satisfying Mississauga's concerns. However, the Company felt that the proposed conditions went beyond what should be considered at the leave to construct phase of the project. Some of the detailed undertakings sought by Mississauga would, according to Consumers Gas, be ironed out through further negotiations or, failing agreement, they would be resolved in an expropriation hearing.

3.2.18 The Company, however, specifically objected to conditions 4 and 5 as proposed by Mississauga claiming that, once the pipeline was installed, it would be extremely difficult to interrupt the flow of gas in order to relocate the MSL, and the selection of valve locations must be left to Consumers Gas.

3.3 EASEMENT DISPUTES

3.3.1 At the opening of the hearing, Hydro stated that it had not yet come to an agreement with Consumers Gas regarding the terms and conditions under which the Company could run its proposed pipeline along Hydro easements. Hydro stated that negotiations were continuing, and that it would make it known to the Board if an agreement was not in hand by the end of the hearing. Hydro failed to re-appear, but Consumers Gas could not confirm whether an agreement had been reached. As a result, the Board, at the conclusion of the hearing, stated that it would assume that agreement had been reached, and further noted that, if this assumption was in error, Hydro was free to petition to have the hearing reopened.

3.3.2 Mississauga was generally supportive of the Company's proposal but expressed concern that the pipeline's location might inhibit the routing of a planned express bus way within the Parkway Belt West corridor. Mississauga sought assurances that there would be continuing technical

dialogue to assure that the MSL project would have only minimal impact on the proposed bus way. Mississauga also requested that an additional public meeting be held to describe Consumers Gas' proposals to local residents.

3.3.3 Mississauga stated that it was confident that, with technical consultation and cooperation, it would be possible for the bus way and the MSL to co-exist within the Parkway Belt West.

3.3.4 Metro had no objection in principle to Consumers Gas siting its pipelines on Metro property. However, Metro was concerned that future Works Department projects to develop the Eglinton Avenue transportation corridor, or to extend the TTC subway might be inhibited once the pipeline is in place. To assure that this would not occur, with regard to the location of the Martin Grove Station or elsewhere, Metro insisted that Consumers Gas agree to an open-ended relocation requirement that:

"... if at any time or times in the opinion of the Metro Commissioner of Works, the Metro Commissioner of Planning or the Chief General Manager of the Toronto Transit Commission ("TTC"), the presence or use of the Consumers' facilities interfere with Metro or the TTC's use or proposed use of the land Consumers shall upon reasonable notice, relocate their facilities at their own expense to the satisfaction of Metro and the TTC."

3.3.5 Consumers Gas accepted this relocation clause as it applied to the Martin Grove Station, but objected to its application to other locations, such as the Eglinton Avenue transportation corridor. The Company argued that other locations were subject to established procedures, such as are described under the Highways Act. The Company again stated that detailed considerations should more appropriately be dealt with after obtaining leave to construct, or as part of the expropriation process.

3.4 TIMING

3.4.1 The Company plans to construct the MSL between June 17 and December 17, 1991.

3.4.2 Consumers Gas expects that there will be increasing competition for the use of the remaining space in the Parkway Belt West corridor. The Mississauga bus way was cited as the most immediate and threatening proposal that would compete with the MSL for space in the corridor. The Company argued that it was essential that its project not be delayed since space in the corridor is allocated on a first come - first served basis.

3.4.3 Board Staff argued that there is no immediate threat that the Company's location plans for the MSL will be preempted. Board Staff cited Mississauga's testimony that construction of the bus way will not commence for at least two years, and noted that the Company had not identified any competing projects which would be initiated before that time.

3.4.4 TCPL currently operates a 24 inch pipeline which runs between the Company's Lisgar Gate Station and a point near the Sheridan Gate Station. Urban encroachment is forcing TCPL to plan to decommission this pipeline. The Consumers Gas' evidence indicated that, after some delays, TCPL was expected to decommission this pipeline during the summer of 1991. National Energy Board, ("the NEB"), approval will be required before the TCPL 24 inch pipeline can be taken out of service. TCPL was to have filed an application with the NEB before June, 1991. The Applicant's witnesses testified that this filing would be delayed and, while the delay was expected to be brief, a revised timetable could not be defined.

3.4.5 Consumers Gas' evidence was that the deactivation of the TCPL 24 inch pipeline would further strain the security of supply to south-eastern

Mississauga. Under cross-examination the Applicant's witnesses stated that, if construction of the MSL were delayed for a year, and the TCPL 24 inch pipeline was deactivated in the summer of 1991, there would be an increased risk to the 20 inch lakeshore pipeline, and that additional STS exchange deliveries to the Victoria Square Gate Station would be required during the 1991/92 winter season.

- 3.4.6 Board Staff argued that, if the 20 inch lakeshore pipeline continued to operate at 500 psi, there would be sufficient back-flow capacity to assure continued security of supply to most of the market served by that pipeline.
- 3.4.7 Consumers Gas reiterated its concerns regarding the cost of STS exchanges, the age and location of the lakeshore pipeline, the need to move quickly to secure space in the Parkway Belt West and the need to commence construction in mid-June in order to assure that the MSL would be in service for the 1991/92 winter season. The Company concluded that, in its judgement, security of supply and safety concerns now dictated that it would be imprudent to continue to operate the 20 inch lakeshore pipeline at 500 psi, and that construction of the MSL should therefore, not be delayed.
- 3.4.8 Board Staff countered that nothing of substance had occurred which dictated that construction of the MSL was now urgently needed. Board Staff acknowledged that there are always risks involved in the operation of a pipeline, but maintained that the Company had provided no evidence that the risks on the 20 inch lakeshore pipeline are now higher than they were last year, or would be next year. Board Staff concluded that the Company's claim that construction of the MSL was urgently needed was self-imposed and not substantiated.

3.5 ECONOMIC FEASIBILITY

- 3.5.1 Consumers Gas maintained that the MSL project was primarily justified on the basis of security of supply and public safety. The Company, however, provided economic feasibility analyses of the project in order to present a full examination of the Application. These analyses were conducted in accordance with the three-stage methodology described by the Board in its E.B.O. 134 Report.
- 3.5.2 The Company's Stage 1 analysis calculated the NPV of the capital costs plus operating and maintenance costs for the MSL to be \$41,838,800. Land costs were claimed to be a further \$2,780,400. An added \$12,311,800 was estimated for the capital and O&M costs of reinforcing. Off-setting these costs were \$12,679,600 in incremental customer addition benefits and \$20,627,700 in STS exchange savings. The Stage 1 negative overall NPV for the project was, therefore, estimated to be \$23,623,700. The discounted cash flow, ("DCF"), analysis that yielded these results was applied over a 75 year period at an after-tax discount rate of 8.86 percent.
- 3.5.3 Given that the project was not self-supporting at the Stage 1 level, the Company conducted a Stage 2 analysis. This showed a Stage 2 NPV of \$122,475,400 due mainly to \$77,182,500 in net fuel savings for incremental customers.
- 3.5.4 The Company claimed that, when Stage 2 benefits were included, the project had a positive overall NPV of \$75,515,700. When combining its Stage 1 and Stage 2 cash flows the Company used a nominal social discount rate of 15.5 percent which adjusted the Stage 1 negative overall NPV to \$46,959,700.
- 3.5.5 Consumers Gas concluded that, since the combined Stage 1 plus Stage 2 NPV is greater than zero, the project is economically feasible and is, therefore, in the public interest.

- 3.5.6 Board Staff noted that Consumers Gas had claimed all the benefits of incremental customer additions off the NPS 30 and 24 high pressure extension and replacements downstream of Martin Grove, while only counting the incremental costs of these extensions. According to Board Staff, had these extensions been fully costed, the total cost of the project would have increased by \$4.6 million.
- 3.5.7 Board Staff argued that, since the NPS 30 extension was not part of the Company's Application, the benefits of that pipeline should not have been claimed. Since customer addition benefits can only be claimed once, these benefits, according to Board Staff, should have been reserved for such time when an application is made for leave to construct the NPS 30 extension. Exclusion of these benefits would have increased the Stage 1 shortfall for the MSL from \$23.6 million to \$37 million.
- 3.5.8 Board Staff also argued that it was unreasonable to extrapolate STS exchange savings for 75 years. It contended that other significant changes to reduce or eliminate the need for STS exchanges would inevitably occur during that length of time. If the project life for the Stage 1 DCF analysis were limited to a more appropriate 20 years, Board Staff calculated that STS exchange savings would be reduced to \$16.4 million.
- 3.5.9 In any event, Board Staff noted that the Company had agreed that its planned extension of its existing northern 36 inch pipeline beyond the C.N.R. Distribution Station would provide a more economical means to reduce STS exchanges. Thus, Board Staff advocated that the STS exchange savings, which constitute some 60 percent of the claimed Stage 1 benefits, should not be accepted as proposed.
- 3.5.10 Board Staff also contended that it was wrong for Consumers Gas to credit all forecast customer addition benefits against the MSL project since most of these would be realized under a "do nothing" scenario which would only require some reinforcing. According to Board Staff, this also puts the

\$77 million worth of Stage 2 customer fuel savings attributed to the MSL in question.

3.5.11 In summary, Board Staff argued that Consumers Gas had improperly accounted for, and under-valued, the costs of the project while overstating its benefits. In Board Staff's view, the Applicant had not established economic viability and an undue burden would, therefore, be thrust upon the Company's existing customers.

3.5.12 In reply argument, Consumers Gas maintained that its economic assessments were valid, and claimed that counting only the incremental costs of the 24 inch replacements was reasonable since they would be installed, to replace old cast iron mains, in any event. The Company further argued that, if anything, its analyses were conservative. Consumers Gas pointed to its overstatement of the cost of the required Hydro easements as an example of its conservatism.

3.6 COMPLETENESS OF THE APPLICATION

3.6.1 Consumers Gas' witnesses stated that the MSL project must be viewed in conjunction with its planned NPS 30 and 24 high pressure (175 psi) distribution components downstream of Martin Grove, since the MSL pipeline and the downstream extensions depend on each other. The Company observed that any transmission pipeline must be accompanied by a means to distribute the transmitted gas to the ultimate customers. The Company contended, however, that it would be unreasonable to expect it to include all downstream facilities in one application since expansion projects are, by nature, incremental.

3.6.2 The Company's evidence was that the MSL pipeline to Martin Grove was a fixed element in its proposal, but that alternatives to the cited NPS 30 extension could be developed if necessary. Such alternatives would, the

Company claimed, have costs and benefits similar to those estimated for the identified extension.

3.6.3 Witnesses for Consumers Gas testified that the Company's internal guidelines specified that leave from the OEB to construct a pipeline would only be necessary if:

- the pipeline is designed to operate above the normal operating pressure of the distribution system, (i.e. >175 psi in the GTA);
- the pipeline's diameter is larger than NPS 6; and
- the total project cost is in excess of \$1 million.

3.6.4 The Company considers the NPS 30 extension and the NPS 24 replacements downstream of Martin Grove to be distribution pipelines. However, given the serious routing issues that are involved, the Company intends to apply to the Board for leave to construct the NPS 30 extension. Construction of the NPS 30 extension is planned for the summer of 1992. The downstream NPS 24 replacements will supplant aged cast iron mains, regardless of the fate of the MSL proposal.

3.6.5 The NPS 30 extension and the NPS 24 replacements were identified, generally located and analyzed with regard to their costs and benefits. The Company did not, however, provide environmental analyses for the extension nor has it, as yet, notified the parties that will be affected by its construction.

3.6.6 Board Staff argued that not only are the MSL and the downstream extension dependent on one another, they are inseparable, particularly since the Company included the costs and benefits of the extension as part of the economic feasibility analyses of the MSL project.

- 3.6.7 Board Staff concluded that the Application is incomplete in that the MSL requires a take-off at its east end, and the Board has not been provided a full data base to allow an analysis of the complete picture. In Board Staff's view, regulatory prudence requires that the NPS 30 extension be considered part of the MSL Application, be supported by an environmental assessment plus right-of-way information, and that interested parties be given the opportunity to make their concerns known.
- 3.6.8 Board Staff opposed the granting of leave to construct the MSL until the NPS 30 extension is fully described and detailed evidence supporting this downstream component is filed, and tested by all concerned parties.
- 3.6.9 Consumers Gas, in reply argument, pointed to the testimony of its witnesses that the MSL would make sense under any of several sets of downstream alternatives. The Company further argued that evidence regarding the NPS 30 extension would be forthcoming and subjected to cross-examination when the application for leave to construct that section of pipeline is brought before the Board.

DECISION WITH REASONS

4. BOARD FINDINGS

- 4.0.1 After considering all the evidence and arguments in this proceeding, the Board finds that it would not be in the public interest, at this time, to grant leave to construct the Mississauga Southern Link. For the reasons which are subsequently provided herein, the Board denies the current Application for leave to construct the proposed facilities.
- 4.0.2 The Board accepts that the Company's ability to transmit natural gas to the core of the GTA distribution system is at full capacity, and that there is a need for additional facilities to alleviate the current bottleneck at Parkway and to diminish Consumers Gas' dependence on costly STS exchange arrangements. However, the Board finds that Consumers Gas has not satisfied the onus placed upon it as the Applicant to provide sufficient evidence to substantiate that the construction of the proposed facilities would constitute an appropriate means of addressing these problems. The Board, therefore, encourages Consumers Gas to resubmit an amended application for the MSL or, if new evidence can be adduced, to apply to have this hearing reopened without delay. In either event, the Board expects the Applicant to take account of the concerns and directives which follow herein.
- 4.0.3 The Application, as confirmed by the Company's witnesses, is specific in its stipulation that gas transmitted via the MSL will be delivered to the

proposed Martin Grove Station. The Application is judged to be incomplete in its description of the impacts that will accompany the subsequent flow of that gas into the Company's high pressure distribution system downstream of Martin Grove.

- 4.0.4 The Company's proposal to construct the identified NPS 30 extension was not accompanied with a description of the environmental and routing impacts of this section of pipeline, even though the Company acknowledges that concerns such as these are of sufficient magnitude to prompt it to seek OEB approval before this extension is constructed.
- 4.0.5 The Board agrees with the Applicant that, even though there may be debate over whether the NPS 30 extension is a distribution or transmission pipeline, there are "serious routing issues" which suggest that Board approval be obtained.
- 4.0.6 The Board requires that, if an amended application for leave to construct the MSL includes the NPS 24 lateral to Martin Grove, the NPS 30 extension shall be included as part of that application, and fully described.
- 4.0.7 The Board notes Metro's testimony, wherein it indicated that alternate routes, other than those proposed for the north-easterly NPS 24 lateral and the NPS 30 extension, are potentially available. The Application did not identify or evaluate alternative routes immediately downstream of Martin Grove. Neither did the Application address the potential to relocate the Martin Grove Station by varying the route of the north-easterly 24 inch lateral to which it is to be connected.
- 4.0.8 Given the concerns that Metro expressed regarding the crossing of Highway 427, the impacts on the Eglinton Avenue transportation corridor and the potential interference with TTC extensions, the Board finds that it would be inappropriate to now fix the location of the Martin Grove Station in the absence of a display of the options that might suggest the choice of

an alternate route. In the Board's view, approval of the current Application would effectively preempt and abandon any options upstream or downstream of Martin Grove before they had been identified, analyzed or considered by the Board.

- 4.0.9 The Board, therefore, requires that an amended application for the MSL which includes a north-easterly NPS 24 lateral shall provide a display and evaluation of the upstream and downstream alternatives that should be considered with regard to connecting pipeline routes and the location of the Martin Grove Station.
- 4.0.10 The Board believes that Consumers Gas has a sincere concern for safety and security of supply, notwithstanding that this concern appeared to be tempered when it came to the question of the cost of fencing open trenches during construction.
- 4.0.11 The Board agrees that operating a pipeline at a lower pressure diminishes risk. The Board also agrees with Board Staff's assessment that the Applicant has failed to provide factual evidence to show why the 20 inch lakeshore pipeline is now less safe than it was a year ago when Consumers Gas considered it prudent to operate it at 500 psi. Upon a review of the record, the Company's position on this matter was largely based on generalizations and assumptions, and was not substantiated with facts to support the contention that the quality of this pipeline requires that it be immediately depressured. The Board invites Consumers Gas to produce such evidence as a basis upon which to reopen this hearing.
- 4.0.12 The Board notes the Applicant's claim that a delay in the approval and construction of the MSL would require the delivery of higher STS exchange volumes to its Victoria Park Gate Station in the event of an upset, and that such volumes are not under contract. The Board also accepts that, in the remote case of a peak day interruption on a critical portion of the 20 inch lakeshore pipeline, Consumers Gas may have

difficulty supplying an area in south-eastern Mississauga. The Board notes, however, that no evidence was presented to establish that such an occurrence is less manageable than it was a year ago, or that it will be aggravated over the next several months.

- 4.0.13 The Company has claimed an urgent need to reserve space in the Parkway Belt West corridor. Yet, the Board observes, the Company has failed to identify any immediate competitive projects which could usurp the required space. While it appears that the Mississauga bus way will be the earliest project to compete with the MSL for space in the corridor, that project is still at the conceptual stage, and is at least two years away from construction. The Board also notes Mississauga's assessment that the bus way and the MSL can co-exist within the Parkway Belt West.
- 4.0.14 The Board finds that the Applicant has failed to establish that competing demands for space in the Parkway Belt West result in an urgent need to construct the MSL in the summer of 1991.
- 4.0.15 The Board is not satisfied with the level of definition that the Company has provided regarding the construction practices and specifications that will govern the construction of the MSL. Given the magnitude and impact of the MSL project, the Board considers it inappropriate for the Company to cite only "generic" construction specifications in its evidence, while leaving the specifics to be developed with the contractors at some future time.
- 4.0.16 Given that the Board has herein rejected the Application pending a more thorough investigation of its impacts and alternatives, it would be pointless to now deal in depth with the economic feasibility of the project as it is currently described. The Board will limit its observations on the economic analyses in order that a future Panel of the Board will be unfettered should this issue be brought forward again.

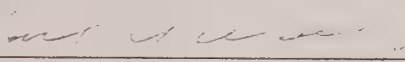
- 4.0.17 The Board suggests that the costs and benefits of associated downstream distribution facilities be analyzed on both a full and incremental basis to provide a future Panel of the Board with a complete record upon which it can make its judgements.
- 4.0.18 The Board further suggests that the Applicant give serious consideration to the reasonableness of employing a 75 year project life when conducting DCF analyses and accounting for STS exchange savings. It is also recommended that the Company describe and account for the likely impacts that other planned projects will have on the benefits ascribed to the MSL and its downstream components.
- 4.0.19 The Company's attention is also drawn to the question of the magnitude and reasonableness of the risks to the ratepayer that could result from acceptance of Metro's open-ended relocation requirement. The Applicant is encouraged to resolve siting issues with Metro in such a way as to provide greater assurance of the permanence of such arrangements. Also, it appears that it is Consumers Gas' position that the detailed resolution of conflicts between the Company and affected parties can be left until after leave to construct has been granted. The Company is cautioned that this can result in an incomplete record and give cause for a leave to construct application to be denied.
- 4.0.20 The Board agrees with Board Staff that the aging of the province's utility systems, coupled with urban encroachment, will likely result in more frequent applications to fortify, relocate, depressure or replace existing pipelines. The Board sees this as an issue which goes well beyond the current Application, and which impacts on parties not represented at this hearing. The Board will, therefore, make no generic findings nor will it attempt to provide guidelines as sought by Board Staff. The Board expects that the desired guidelines will evolve from the case-by-case decisions of the Board.

DECISION WITH REASONS

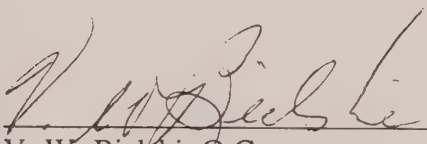
5. COMPLETION OF THE PROCEEDINGS

- 5.0.1 The Board denies the Application for leave to construct the MSL project on the basis that the Application as filed is incomplete, and the Applicant has failed to substantiate its case that the proposed facilities are urgently required.
- 5.0.2 The Board encourages the Applicant to reapply for leave to construct the MSL or to petition to reopen this hearing if new evidence comes to light. When doing so, the Applicant shall take account of the concerns and directives of the Board in this Decision with Reasons.
- 5.0.3 The Board notes that none of the parties to this hearing requested an award of costs. The Board, therefore, finds that the Applicant shall pay only the costs of the Board in this proceeding, and that such costs shall be paid forthwith upon receipt of the Board's Cost Order.

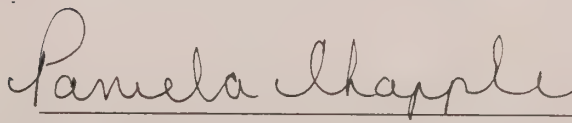
DATED at Toronto June 4, 1991.



C.A. Wolf Jr.
Presiding Member



V. W. Bielski, Q.C.
Member



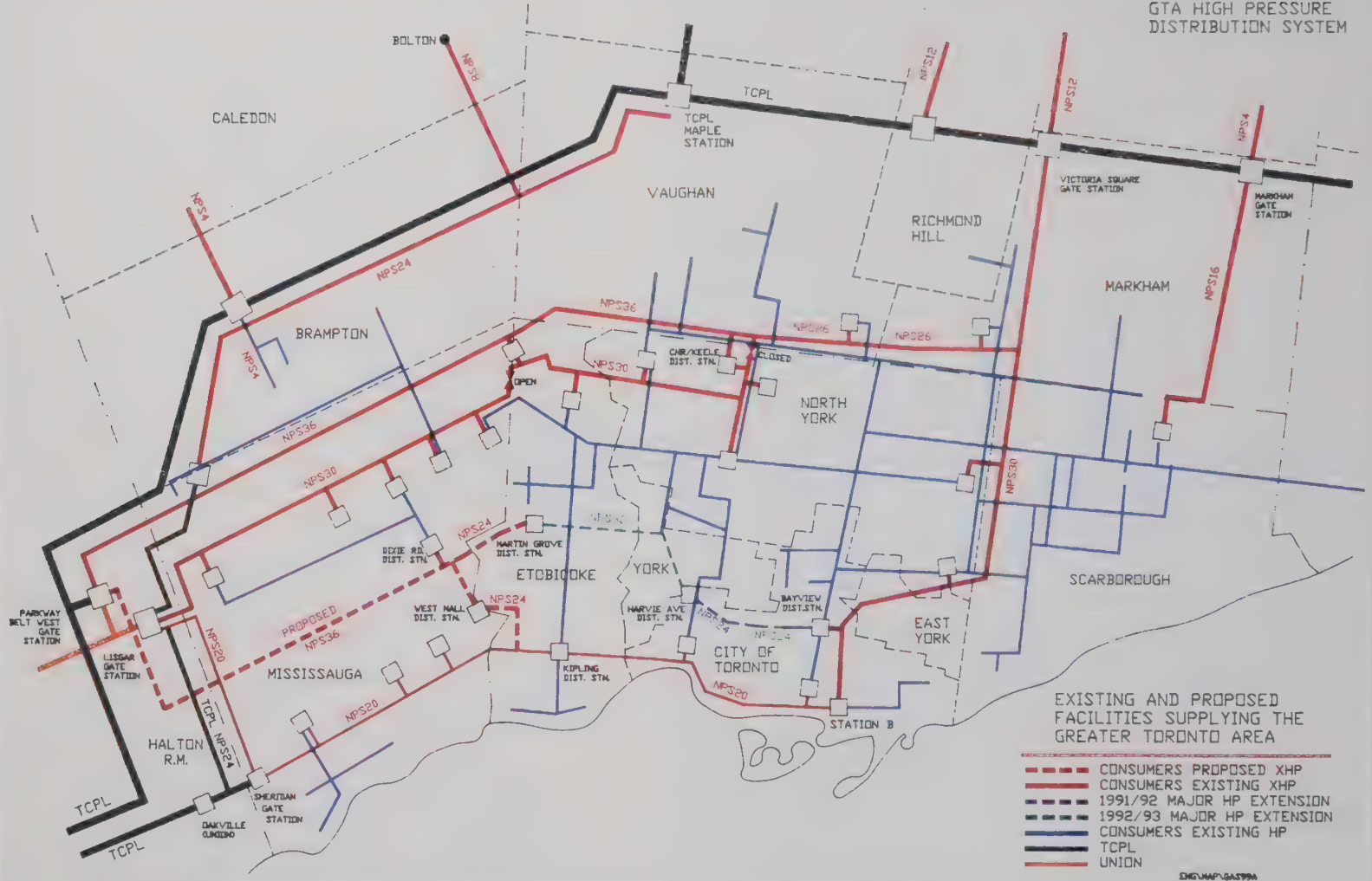
P.W. Chapple
Member

MISSISSAUGA SOUTHERN LINK
PROPOSED ROUTE

NPS 36 AND NPS 24 PIPELINES



Appendix B
GTA HIGH PRESSURE
DISTRIBUTION SYSTEM



APPENDIX C

BOARD STAFF PROPOSED CONDITIONS OF APPROVAL

E.B.L.O. 238

- a) Subject to Condition (b), Consumers shall comply with the conditions imposed by the Board, and with all commitments made by its counsel and witnesses, and shall construct the pipeline and shall restore the land according to the evidence of its witnesses at this hearing.
- b) Consumers shall advise the Board's designated representative of any proposed change in construction or restoration procedures and, except in an emergency, Consumers shall not make such change without prior approval of the Board's designated representative. In the event of an emergency, the Board's designated representative shall be informed forthwith after the fact.
- c) Consumers shall furnish the Board's designated representative with every reasonable facility for ascertaining whether the work has been, and is being, performed according to the Board's Order.
- d) Consumers shall give the Board's designated representative and the Chairman of the Ontario Pipeline Coordinating Committee 10 days written notice of the commencement of construction of the pipeline.
- e) Consumers shall designate one of its employees as project engineer who will be responsible for the fulfilment of conditions and undertakings on the construction site. Consumers shall provide the name of the project engineer to the Board's designated

representative. Consumers shall prepare a list of the conditions imposed by the Board, and the undertakings given by its counsel and witnesses during the hearing, and provide it to the Board's designated representative for verification, and to the project engineer for compliance during construction.

- f) Consumers shall file with the Board's designated representative notice of the date on which the installed pipeline was tested, within one month after the test date.
- g) Both during and after the construction, Consumers shall monitor the effects upon the lands and the environment, and shall file ten copies of both an interim and a final monitoring report with the Board's designated representative and simultaneously provide a copy of each report to every landowner on the pipeline route. The interim monitoring report shall be filed within six months of the in-service date and the final monitoring report within 15 months of the in-service date.
- h) The interim report shall describe the implementation of Conditions (a) and (b), if any, and shall include a description of the effects noted during the construction and the actions taken or to be taken to prevent or mitigate any long-term effects of the construction upon the environment. This report shall describe any outstanding concerns of landowners.
- i) The final monitoring report shall describe the condition of the rehabilitated right-of-way and actions taken subsequent to the interim report. The results of the monitoring programs and analysis shall be included, and recommendations made as appropriate. Further, the final report shall include a breakdown of external costs incurred to-date for the authorized project, with items of cost associated with particular environmental measures delineated and identified as pre-construction related, construction

related and restoration related. Any deficiency in compliance with undertakings shall be explained.

- j) Consumers shall file with the Board's designated representative "as-built" drawings of the pipeline; such drawings shall indicate any change in route alignment.
- k) Within 12 months of the in-service date, Consumers shall file with the Board's designated representative a Post Construction Financial Report. The Report shall indicate the actual capital costs of the project and shall explain all significant variances from the estimates adduced in the hearing.
- l) The Leave to Construct granted herein terminates November 1, 1991, unless otherwise ordered by the Board.
- m) Consumers shall append to its interim and final monitoring reports a log of all landowner complaints that have been received during construction. Such logs shall record the times of all complaint-related communications between Consumers and the landowners; the substance of each complaint; the actions taken in response; and the reasons underlying such actions.
- n) The Board's designated representative for the purposes of these conditions shall be the Board's Project Manager, Environmental or whomever shall be assigned by the Chairman of the Ontario Energy Board.

City of Mississauga
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Mississauga, Ontario
L5B 3C1

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File: 17 111 89 128

May 14, 1991

Ontario Energy Board
P.O. Box 2319
2300 Yonge Street
26th Floor
Toronto, Ontario
M4P 1E4

Attention: S.A.C. Thomas, Board Secretary

Dear Mr. Thomas:

Re: E.B.L.O. 238 - Application to
the Ontario Energy Board
by Consumers Gas

Further to our recent correspondence on the above-captioned matter, I respectfully submit the following for the consideration of the Ontario Energy Board.

The City of Mississauga supports, in general, the proposed alignment of the new Consumers Gas pipeline within the Parkway Belt West within the City boundaries. The proposed layout has been subject to review and change as a consequence of the City of Mississauga's proposal for a new two-lane bus-only roadway (the Mississauga Transitway) in the same corridor.

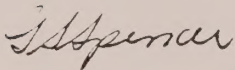
Given that some conflicts remain between the two facilities, and that construction plans and costs for the Transitway may be significantly affected by the presence of the Consumers Gas facility, the City of Mississauga requests the Ontario Energy Board to attach the following commitments as "Conditions of Approval" of the proposed Consumers Gas pipeline within Mississauga.

1. That the Consumers Gas pipeline and associated facilities be constructed in a location which avoids, to the greatest extent possible, the planned Mississauga Transitway.
2. That the Consumers Gas pipeline, where constrained by other facilities and subsequently located in conflict with the planned Mississauga Transitway, be constructed in a location and at sufficient depth so as to avoid the need for relocation at the time of Transitway construction. Conflicts with the latest Consumers Gas plans are currently noted in the vicinities of Mavis Road and Dixie Road.

3. That the City of Mississauga be provided with a complete set of detailed plan and profile drawings for the Consumers Gas pipeline to be reviewed to our mutual satisfaction prior to construction.
4. That the Consumers Gas pipeline be capable of being taken out of service in such locations and for such periods as to allow any pipeline relocation to occur at the time of Transitway construction.
5. That the Consumers Gas pipeline be equipped with valves at either end of any identified conflict areas (if a need for future relocation is identified prior to construction) so as to allow the timely reconnection of the relocated segments with the main line.
6. That Consumers Gas provide on-site inspection service at no cost to the City of Mississauga as needed during the construction of the Mississauga Transitway.
7. That the City of Mississauga be made immediately aware of any changes or revisions in the Consumers Gas pipeline plans during construction.

I would like to thank the Ontario Energy Board for the opportunity to comment on the Consumers Gas proposal. Please contact myself or either Mr. Kees Schipper or Mr. Robert Sasaki of my staff if you require any additional information or clarification on the above comments.

Yours very truly,



G. S. Spencer, P. Eng.,
Commissioner,
Transportation and Works Department.

RS/kgd
1722E

